A Critique of "Catch-Up" Theories of Development

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[**Abstract**: The Asian crisis has rekindled the debate between advocates of neoliberalism, left-wing neoliberalism, and developmental-statism over the best institutions and policies for achieving economic development. However, this debate continues to generate far more heat than light. One reason is that, despite their alleged differences, all three mainstream theories share a common conception of development as "catch-up." A second and even more important reason is that this shared conception is seriously flawed because of its technological determinism and uncritical stance towards capitalist relations of wage-labor and competition. A Marxist perspective on development dynamics is superior because it recognizes the contradictions of capitalist development and can therefore inform (and be informed by) the ongoing struggles of workers and communities for new development alternatives on national, regional, and global levels.]

Those economists who promoted capitalism as an engine for Third World development increasingly found themselves forced by circumstances to look to East Asia to find support for their position. While many countries in both Latin America and Africa also enjoyed rapid growth during the 1960s and 1970s, the leading East Asian countries were among the only ones to continue to grow during the 1980s and the first half of the 1990s. As a result, East Asia became the main supplier of development strategies for the entire Third World.

There was, however, a fierce disagreement between two groups of mainstream economists over the institutions and policies that were responsible for East Asia's economic success. Neoliberals, the largest group, argued that free-market, free trade policies were responsible for the region's rapid growth and industrial transformation. They therefore advocated that other countries adopt similar policies. Developmental-statists, a smaller but increasingly influential group, argued that East Asia's success was the result of effective state direction of economic activity. As a result, they advocated that other countries adopt policies to promote the planning and policy implementation capacities of their respective states.

The late 1990's economic crisis in East Asia surprised economists in both groups.[1] Most responded by continuing to defend their original policy recommendations while

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modifying their explanations of the development process in an effort to explain the crisis. However, the crisis also gave rise to a new group: left-wing neoliberals. This group advocates targeted state actions to overcome specific market failures, while simultaneously endorsing the fundamental importance of market relations and competition.

In this article we seek to critically examine the post-crisis theorizing of neoliberals, left-wing neoliberals, and developmental-statists. We argue that the theoretical differences among these three groups are not as great as commonly assumed. The reason is that they all share a common understanding of development as a "catch-up" process in which less developed countries take advantage of the technological paths previously forged by more developed countries. Their differences are largely confined to disagreements over the factors determining both the potential for catch-up and its uneven realization in different countries and regions.

More importantly, we also argue that this shared conception of developmental catch-up is seriously flawed because it is both technological-determinist and completely uncritical towards capitalist relations of wage-labor and competition. Indeed, the catch-up vision, in all its mainstream variants, simply presumes that the primary role of working people and their material and social conditions is to serve as instruments and vehicles of capital accumulation and economic growth. Given this common evaluative core, it is impossible for the mainstream debate to generate human-developmental visions and strategies that adequately recognize the needs and capabilities of workers and communities.

A radically different perspective is therefore needed not only to understand the basic forces underlying uneven development, but also to bring in the human-social factor at the ground level of development theory in non-instrumental and politically resonant fashion. A Marxist, class-analytic approach can provide such a perspective, but only if it is formed through a critical engagement with the day-to-day struggles of workers and communities on national, regional, and global levels.

Section I outlines the basic conception and evolution of theories of developmental catch-up, including the allied notions of social capability and social capital. Section II offers a critical evaluation of these theories. Section III highlights the ways in which mainstream theorizing about East Asian development remains rooted in notions of "catch-up," thereby undermining its general usefulness for working people. The concluding Section IV sketches an alternative, Marxist conception of development as both process and vision, one that can be useful precisely because it is centered on the needs and capabilities of workers and communities as they develop through struggles in and against capital accumulation and competition.

Development as "Catch-Up"

While a full history of "catch-up" theories of development is beyond the scope of this article, it is worth noting that such theorizing has been a natural accompaniment to the uneven origins and development of capitalism on a global scale. From Germany (List), to the Soviet Union (Preobrazhensky and later Stalin and Kruschev), to Japan (Akamatsu), development projects in "latecomer" countries were largely shaped by existing theoretical and ideological understanding of the "requirements" for emulating and surpassing the industrialization experiences of countries where capitalism was relatively developed. Interest in the catch-up process was further stimulated in the post-World War II period by political decolonization and the revolution of rising Third World economic expectations.

Given the historical variegation of catch-up approaches, we limit our discussion to three formulations. The first two are influential meta-theoretical constructs: those of Gerschenkron (1962) and Abramovitz (1986). The third is a more recent, World Bank promoted attempted synthesis of these two formulations. Our goal is a summary presentation of catch-up "thinking" that creates a framework for our later examination of the leading mainstream attempts to explain East Asia's growth and crisis.

Gerschenkron: Development and "Relative Backwardness": Drawing upon the nineteenth and early twentieth century experiences of European countries, Alexander Gerschenkron found that "The typical situation in a backward country prior to the initiation of considerable industrialization processes may be described as characterized by the tension between the actual state of economic activities in the country and the existing obstacles to industrial development, on the one hand, and the great promise inherent in such a development, on the other" (1962, p. 8). He concluded that given this state of backwardness, catch-up has generally required a process of growth that by necessity has been different from that followed by the already advanced countries. Moreover, the differences are greater, the greater the gulf in development.

In particular, catch-up has generally required the establishment of firms operating at a scale sufficiently large to take advantage of modern technology and economies of scale; the more backward the economy the "more pronounced was the stress in its industrialization on bigness of both plant and enterprise." Economic success depended on more than the scale of individual producing units, however. The rapid formation of interdependent industrial firms and a supportive infrastructure was also necessary to ensure the synergies and markets necessary to transform the environment and create the basis for self-sustaining growth. And, given the existing conditions and the specific nature of the tasks required, "The more backward a country's economy, the greater was the part played [in this process] by special institutional factors designed to increase supply of capital to the nascent industries and, in addition, to provide them with less decentralized and better informed entrepreneurial guidance." Thus the catch-up process had its own unique pattern and institutional form that depended on the degree of backwardness of the country in question. This was also true of the outcome of the process: "The more backward a country's economy, the more likely was its industrialization to start discontinuously as a sudden great spurt proceeding at a relatively high rate of growth of manufacturing output" (pp. 353-4).

Importantly, Gerschenkron located the potential for the "sudden great spurt" of industrial growth in the opportunities relatively backward countries had for importing technologies from more advanced countries:

> Assuming an adequate endowment of usable resources, and assuming that the great blocks to industrialization had been removed, the opportunities inherent in industrialization may be said to vary directly with the backwardness of the country. Industrialization always seemed the more promising the greater the backlog of technological innovations which the backward

> country could take over from the more advanced country. Borrowed technology... was one of the primary factors assuring a high speed of development in a backward country entering the stage of industrialization (p. 8).

Gerschenkron well understood that relative backwardness was not an unqualified advantage and could in some ways also act as a barrier to industrial catch-up. For example, "great delays in industrialization tend to allow time for social tensions to develop and to assume sinister proportions" (p. 28). The backwardness of economic relations could also worsen labor shortages to the detriment of industry (pp. 9, 17). Perhaps most importantly, "technological progress and the dominant innovations" in the advanced countries could adversely "impact upon the industrializing economies of backward countries" (p. 364). Overall, then, Gerschenkron suggests that the "accumulation of 'advantages of backwardness' can, at least at times, be paralleled by an accumulation of disadvantages of backwardness" (p. 363).

For Gerschenkron, state policy was the single most important factor that could tip the scales toward the advantages of backwardness (a fact which might account for the lack of popularity of his analysis among mainstream economists nowadays). In his opinion, the social environment in an economically backward nation was unlikely to encourage the kind of risk taking and investment activity necessary to generate and sustain the industrialization process. Therefore, successful catch-up required activist policies by a strong state, working alone and through responsive financial institutions, to develop basic industrial infrastructure, to transfer resources to leading industries, and to provide these industries with "entrepreneurial guidance" (p. 354). These "actions by banks and governments in less advanced countries" should be "regarded as... attempts to create <u>in the course</u> of industrialization conditions which had not been created in the 'preindustrial' periods precisely because of the economic backwardness of the areas concerned" (p. 358; emphasis in original).

<u>*Abramovitz: Catch-Up and "Social Capability"*</u>: Moses Abramovitz (1986) offers a different explanation of the catch-up process, one that emphasizes the pivotal role of competitive market forces rather than state actions. His work is based on an analysis of the experiences of 16 advanced capitalist countries over the years 1870-1979. His starting point was what he called the "simple catch-up hypothesis," which "asserts that being backward in level of productivity carries a <u>potential</u> for rapid advance. Stated more definitely the proposition is that in comparisons across countries the growth rates of productivity in any long period tend to be inversely related to the initial levels of productivity" (1986, p. 386; emphasis in original).

This proposition, which assumes that the growth in productivity will lead to a growth in industrial production and thus a major leap forward in development, is underpinned by a narrow understanding of technology and the factors that promote its effective transfer both between countries as well as within a given country. More specifically it assumes that labor productivity is largely determined by a country's existing state of technology, and that in turn is fully expressed by the quality of its capital stock. Abramovitz explains the underlying premise of this simple theory as follows:

> In a "leading country," to state things sharply, one may suppose that the technology embodied in each vintage of its [capital] stock was at the very frontier of technology at the time of

investment. The technological age of the stock is, so to speak, the same as its chronological age. In an otherwise similar follower whose productivity level is lower, the technological age of the capital stock is high relative to its chronological age. The stock is obsolete even for its age. When a leader discards old stock and replaces it, the accompanying productivity increase is governed and limited by the advance of knowledge between the time when the old capital was installed and the time it is replaced. Those who are behind, however, have the potential to make a larger leap. New capital can embody the frontier of knowledge, but the capital it replaces was technologically superannuated. So — the larger the technological and, therefore, the productivity gap between leader and follower, the stronger the follower's potential for growth in productivity; and, other things being equal, the faster one expects the follower's growth to be. Followers tend to catch up faster if they are initially more backward (pp. 386-7; emphases in original).

Based on this logic, it follows that "the catch-up process would be self-limiting because as a follower catches up, the possibility of making large leaps by replacing superannuated with best-practice technology becomes smaller and smaller. A follower's potential for growth weakens as its productivity level converges towards that of the leader" (p. 387).

Abramovitz recognized that this simple hypothesis was far from adequate, especially since it implied that catch-up was a fairly straightforward process. He thus offered both extensions and qualifications. His extensions highlighted ways in which the acquisition of advanced capital goods could create new avenues for further productivity gains. For example, the use of more advanced capital goods has the potential to boost output levels sufficiently to allow for the realization of "scale-dependent technological progress" (p. 387). In addition, the technological gains derived from the acquisition of new capital goods could significantly lower the overall costs of capital relative to labor, thereby leading to an increase in the capital-labor ratio and size of the capital stock, and thus greater productivity. Finally, the modernization process includes possibilities for advances in technology not directly embodied in the stock of physical capital (so-called "disembodied technology").

More relevant to our discussion here are Abramovitz's two qualifications of the simple catch-up hypothesis. The first involves the role of "tenacious societal characteristics" in determining "a portion, perhaps a substantial portion, of a country's past failure to achieve as high a level of productivity as economically more advanced countries. These same deficiencies, perhaps in attenuated form, normally remain to keep a backward country from making the full technological leap envisioned by the simple hypothesis" (p. 387). Thus, like Gerschenkron, Abramovitz acknowledged the fact that backwardness carries its own disadvantages.

Abramovitz uses the term "social capability" to describe a country's ability to overcome these productivity-retarding characteristics, and he clearly thinks of social capability as a basic element of national catch-up potential. In fact, he believes that social capability helps explain real-world divergences from the simple catch-up hypothesis. More specifically, he suggests "that the developments anticipated by that hypothesis will be clearly displayed in cross-country comparisons only if countries' social capabilities are about the same. One should say, therefore, that a country's potential for rapid growth is strong not when it is backward without qualification, but rather when it is technologically backward but socially advanced" (p. 388). In addition, "the evolution of social capability connected with catching up itself raises the possibility that followers may forge ahead of even progressive leaders," or that "a leader may fall back or a follower's pursuit may be slowed" — depending on the precise pattern of endogeneity of social capability (p. 389).

However, as Abramovitz recognizes, "the trouble with absorbing social capability into the catch-up hypothesis is that no one knows just what it means or how to measure it" (p. 388). That said, Abramovitz identifies social capability with (1) "technical competence," as determined, for example, by the quality of a country's education system; (2) a country's "experience with the organization and management of large-scale enterprise;" and (3) the nature of the broader economic system, in particular, its "openness to competition, to the establishment and operation of new firms, and to the sale and purchase of new goods and services" (pp. 388-9).

It is noteworthy that Abramovitz drew his notion of social capabilities from the work of Kazushi Ohkawa and Henry Rosovsky, who introduced it in their study of Japan's twentieth century economic growth. Among the general factors making up the "social capability to import technology," Ohkawa and Rosovsky highlighted "such things as labor-management relations, entrepreneurship, motivation, and the capacity for group action" (1973, p. 217). In their view, Japan possessed "specific institutions" covering these areas that enabled her to effectively "absorb technological and organizational progress of foreign origin" (p. 219).

These institutions included the zaibatsu system of financial-industrial conglomerates, as well as the "permanent employment" system in core zaibatsu enterprises. The zaibatsu system enhanced the scope for "administrative guidance" by government planners (thereby facilitating the management and coordination of technology importation), and the permanent employment system "gave the Japanese entrepreneur a labor force without incentives to oppose technological and organizational progress even of the labor-saving type" — a labor force worth investing in "through, inter alia, on-the-job training" (p. 220).

In fact, in many ways the notion of social capabilities advanced by Ohkawa and Rosovsky is complementary to the work of Gerschenkron. The latter focused on the state's critical role in promoting and guiding the activities of large scale enterprises while the former focused on the special forms of industrial organization that were compatible with such state policy.

Abramovitz, however, redefined Ohkawa and Rosovsky 's concept of social capabilities to advance a very different notion of the catch-up process. In his formulation, it is the free operation of market forces that is most likely to guarantee the competition, entry and exit, and allocation of resources necessary to assure the effective introduction and use of more advanced technology.

This market orientation becomes clearer in Abramovitz's second qualification of the simple catch-up hypothesis. In this qualification, he introduces the distinction between catch-up potential and the realization of this potential:

> The combination of technological gap and social capability defines a country's potentiality for productivity advance by way of catch-up. This, however, should be regarded as a potentiality in the long run. The pace at which the potentiality is realized depends on still another set of causes that are largely independent of those governing the potentiality itself (1986, pp. 389-90; emphasis in original).

Here Abramovitz has in mind a series of broader economic factors that are likely to influence the speed and extent of technology transfer between countries and diffusion within a country. These include: the "facilities for diffusion of knowledge," including "international technical communication, multinational corporations, the state of international trade and of direct capital investment;" the general conditions "facilitating or hindering structural change in the composition of output, in the occupational and industrial distribution of the workforce, and in the geographical location of industry and population;" and the extent to which "macroeconomic and monetary conditions" help encourage and sustain "capital investment and the level and growth of effective demand" (p. 390). In other words, the chances for successful catch-up will be improved the more a country is integrated with international markets, has flexible labor markets, and maintains a stable and capital friendly environment.

After incorporating his extensions and qualifications of the initial catch-up hypothesis, Abramovitz offers the following statement of his own catch-up theory:

> Countries that are technologically backward have a potentiality for generating growth more rapid than that of more advanced countries, provided their social capabilities are sufficiently developed to permit successful exploitation of technologies already employed by the technological leaders. The pace at which potential for catch-up is actually realized in a particular period depends on factors limiting the diffusion of knowledge, the rate of structural change, the accumulation of capital, and the expansion of demand. The process of catching up tends to be self-limiting, but the strength of the tendency may be weakened or overcome, at least for limited periods, by advantages connected with the convergence of production patterns as followers advance towards leaders or by an endogenous enlargement of social capabilities. (p. 390)

This hypothesis is, according to Abramovitz, capable of accounting for the actual experience of uneven development among countries — an experience that definitively rejects the straightforward convergence prediction carried by the simple catch-up theory.[2]

The World Bank: The "Social Capital" Synthesis: A new formulation of the catch-up process, based on the notion of "social capital," has become popular in the development literature beginning in the latter half of the 1990s. Promoted by the World Bank, it represents a limited synthesis of the two previous meta-theoretical formulations, in which elements of Greschenkron's perspective on the state have been grafted onto Abramovitz's basic framework. This new formulation was largely developed in response to the East Asian experience.

The World Bank had long endorsed the basic neoliberal vision of development, which stressed the importance of market forces in promoting development. However, by the early-1990s, pressure from developmental-statists and the Japanese government forced the World Bank to reluctantly acknowledge that East Asian states had played an important role in their countries' respective economic success (Wade, 1996). But the World Bank continued to advance its traditional position that the main reason for East Asia's success was that East Asian countries got "the basics right."

Thus, its widely cited research report, The East Asian Miracle, stated that "private domestic investment and rapidly growing human capital were the principal engines of growth.... In this sense there is little that is 'miraculous' about the high performing Asian economies' record of growth; it is largely due to superior accumulation of physical and human capital" (World Bank, 1993; p. 5). However, the report also acknowledged that the developmental-statists had a point in that: "In most of these economies, in one form or another, the government intervened—systematically and through multiple channels—to foster development, and in some cases the development of specific industries" (p. 5).

The World Bank reconciled this tension by noting that East Asian state policies had been directed towards the right ends: maintaining "macroeconomic stability" and accomplishing "the three functions of growth: accumulation, efficient allocation, and rapid technological-catch-up" (p. 10). Moreover, these state interventions had been limited to those that were needed to overcome "a class of economic problems, coordination failures, which can lead markets to fail, especially in the early stages of development" (p. 11). In short, the East Asian experience led the World Bank to acknowledge that because of market failures, selective state interventions might be necessary for successful capitalist development.

However, the World Bank continued to evolve its position on the state. In its World Development Report 1997, it explained the role of the state as follows:

> An effective state is vital for the provision of the goods and services—and the rules and institutions—that allow markets to flourish and people to lead healthier, happier lives… Many said much the same thing fifty years ago, but they tended to mean that development had to be state-provided. The message of experience since then is rather different: that the state is central to economic and social development, not as a direct provider of growth but as a partner, catalyst, and facilitator. (1997, p. 1)

It went on to point out that while the state may be central to development, there was no guarantee that it would successfully play its necessary role. In other words, development failures were likely to result from inappropriate state policies. Thus, "For human welfare to be advanced, the state's capability—defined as the ability to undertake and promote collective actions efficiently—must be increased" (p. 3, emphasis in the original).

Given the nature of this formulation, it appears that the World Bank was borrowing Abramovitz's notion of capability to explain why some countries were succeeding in catching-up and others were not. In doing so, the World Bank was not challenging Abramovitz's focus on social capability and competitive markets, but rather broadening the reach of his theory to acknowledge the existence of market failures and thus the importance of state policy. This did not mean that the Bank supported a major role for state intervention. Quite the opposite, its concern was to establish clear limits on state policy. This was made explicit by the Bank's explanation that helping states increase their capabilities means "designing effective rules to check arbitrary state actions and combat entrenched corruption. It means subjecting state institutions to greater competition, to increase their efficiency. It means increasing the performance of state institutions… And it means making the state more responsive to people's needs" (p. 3).

This framing of the development challenge provided the context for the World Bank to introduce its theory that development depends on a country's stock of social capital. According to this theory, popular collective activity is necessary to ensure appropriate state capacities. But the existence of popular collective activity itself depends upon a country's stock of social capital. More specifically, "The depth and intensity of popular collective activity obviously differ by social and institutional setting. One explanation for these differences lies in differing endowments of social capital, the informal rules, norms, and long-term relationships that facilitate coordinated action and enables people to undertake cooperative ventures for mutual advantage" (p. 114, emphasis in original).

The World Bank argues that social capital can improve state capacity in three ways. First, "when citizens express their opinions, formally or informally, and press their demands publicly within the framework of the law," it reduces the risk that a minority will dominate state policy-making, and thus minimizes the dangers of corruption. Second, where markets are absent, as is the case for most public goods, popular collective action can reduce information problems thereby lowering transaction costs and improving the production and delivery of public services. And finally, "the emergence of private and NGO alternatives to public provision can help" overcome limitations in the ability of the state to meet public needs (p. 116).

The World Bank found this theory increasingly useful for explaining economic outcomes. In its World Development Report 1999/2000, it acknowledged that although its basic policy advice to get the fundamentals right remained sound, some countries that had "followed policies of liberalization, stabilization, and privatization" had "failed to grow as expected" (2000, p. 16). It concluded that these "development failures pointed to the importance of institutional structures, competition, and control of corruption" (p. 17). According to the World Bank, East Asia offered an excellent example of this. The region's 1997-98 crisis had been caused by corruption and a lack of financial transparency, or in the terms of the World Bank's new theory, by a breakdown in East Asian state capacities due to insufficient social capital.

The World Bank continued to develop its theory, offering a more detailed definition of social capital and its relationship to development in its World Development Report 2000/2001. According to the Bank, there are three types of social capital: there is bonding social capital, which represents the ties between "people who share similar demographic characteristics." Examples include family members, close friends, and business associates. There is bridging social capital, which represents horizontal ties between people from different ethnic and occupational backgrounds but who have comparable economic status and political power. Then there is linking social capital which "consists of the vertical ties between poor people and people in positions of influence in formal organizations (banks, agricultural extension offices, the police)" (2001, p. 128).

There are, of course, relationships between these various forms of social capital. For example, strong bonding social capital may enable people to create linking social capital. The World Bank places special importance on this linking capital, since it views it as representing an avenue for overcoming unbalanced power relations. "The creation of linking social capital is essential, and external support has often been important in its emergence. External support—from NGOs and religious organizations, for example—can help create social capital that increases the voice and economic opportunities of poor people" (pp. 129-130). While this refined definition of social capital highlights an important role for non-state actors, the World Bank still acknowledges the importance of the state: "The state plays a vital role in shaping the context and climate in which civil society organizations operate. In some cases the state can also create social capital" (p. 130).

The World Development Report 2000/2001 also elaborated on the connection between social capital and development. The Bank's basic idea is that "Social institutions affect poverty outcomes… by affecting the productivity of economic assets, the strategies for coping with risk, the capacity to pursue new opportunities, and the extent to which particular voices are heard when important decisions are being made" (p. 117). Thus, when discrimination on the basis of gender, ethnicity, race, religion, or social status exists or when a small minority captures the state and use its policies for its own advantage, markets will fail to deliver efficient outcomes. According to the World Bank, only positive social capital can help people overcome these market failures, thereby promoting a sustainable and equitable development process.

Catch-Up Theory: A Preliminary Balance-Sheet: As we will see below, the three leading mainstream theories of East Asian development draw heavily on these theories of developmental catch-up. We therefore lay the groundwork for our critique of them by first offering a critical assessment of the catch-up literature.

From a political-economic perspective, the outstanding shortcoming of catch-up theorizing (and here we focus on the two meta-theoretical formulations) is its failure to treat the history of development as an outgrowth of specifically capitalist relations of production. The development process is generally reduced to technological advance mainly in and through the accumulation of physical capital; all human-social phenomena are evaluated in terms of their contribution to, or hindrance of, physical capital accumulation and technological progress. Moreover, the basic substance of technology, and the forms of technological change deemed progressive, are uncritically taken as given and unrelated to capitalism's fundamental class relations. As a result, the basic catch-up approach is technological-determinist in the most vulgar sense.

More precisely, by ignoring the historical, social-relational specificity of capitalist development (including technological development), catch-up theorizing ends up limiting development possibilities to the kinds of capitalist development that have actually occurred historically. In other words, capitalist relations are treated as natural, permanent relations. This is true even for Gerschenkron, despite his insistence on the specificity of industrial development in relatively "backward" countries.

In Abramovitz's work, this failure to seriously consider the determinant role of social relations is reflected in his arbitrary distinction between catch-up potential and the realization of this potential – with the developmental function of social capability limited to the former. It is hard to imagine, for example, that a country's educational system or systems of industrial organization and labor relations are unrelated to the extent of multinational corporate activity or government macro policies. At the same time, his grouping of all relevant social conditions under the amorphous category of social capability itself reflects the a-social, a-historical character of his basic conception of capital accumulation and technological progress. Accumulation is by its very essence a social process; it cannot meaningfully be separated from its social context.

However, the profoundly apologetic character of the catch-up approach can only be fully understood in light of its treatment of "development" as a purely national process. Economies are not only conceived of in an a-social fashion (with social phenomena then brought in as enabling or impeding factors), they are also viewed as synonymous with individual countries. Apart from opportunities to obtain technology from other countries, and Gerschenkron's brief reference to backward country industries facing competition from more technologically advanced developed country production, the catch-up approach lacks any meaningful conception of a global economic system of any kind, let alone of a global capitalist system as it actually germinated and developed historically. Colonization, slavery and other forms of plunder; the establishment of unequal divisions of labor between the developed capitalist centers and the countries being colonized; the use of debt and "aid" (as well as military force) to solidify these unequal divisions; the increasing dominance of international production and commerce by transnational enterprises based in the developed countries – in short, all the elements of imperialism as an organic system – either have no existence or are treated as positive opportunities to accelerate the catch-up process.

Moreover, the efforts of individual countries to "catch up" are treated in isolation from one another, as if international competition does not imply close connections between some countries' successes and other countries' failures – and as if this competition does not determine the conditions of sustainability of any successes. Without a global-systemic perspective, there is a great danger of fallacies of composition creeping into any analysis shaped by catch-up theory.

Given its uncritical stance on both national and global capitalist relations, catch-up theory offers zero space for any positive developmental contribution by popular anti-capitalist and anti-imperialist struggles. Indeed, with its a priori, technological-determinist conception of growth and development, it can only treat such struggles as a disruptive factor – as an indication of social inadequacy or backwardness.

The World Bank's recent attempted synthesis of these mega-theories suffers from all the above problems. Its concept of social capital is an enlargement but no real improvement over Abramovitz's social capabilities approach. It seemingly encompasses any social institutions or social relations which, while contributing directly or indirectly to the growth of production, cannot be reduced to the main building blocks of standard economic theory, namely, atomistic utility-maximizing households and profit-maximizing firms, and the real and financial assets they have accumulated. But this conceptualization is quite problematic. As Ben Fine observes,

> To deconstruct [social capital] in the crudest way, term by term in reverse order, "capital" has been defined negatively – by what it is not. It is not tangible, such as physical endowments or human capital. Rather it is anything connecting individuals that contributes to the economy on the basis of their individual endowments of non-social capital. By the same token, the "social" is the set of relations, market or non-market, that connects these individuals with a greater or lesser degree of imperfection. With these notions of social and capital, their genuine counterparts within political economy or social theory – economic structures and tendencies, on the one hand, and power, stratification, conflict, on the other – can only be incorporated in bastardized or hopelessly eclectic forms (1999, p. 16).

In other words, if real world economies are intrinsically social, down to their very roots in production itself, any attempt to dichotomize the economic and the social, or physical and social capital, must run into profound contradictions. "The social can only be added to capital if it has been illegitimately excluded in the first place" (Fine, 1999, p. 16).[3]

The social capital approach also draws upon the work of Gerschenkron, but it does so in a way that blunts the significance of his contribution. Gerschenkron focused on macro-level market failures and appropriate macro-level state responses to them. In contrast, this new theory highlights the importance of micro-level market failures. For example, it is concerned with the ways that "informational imperfections and asymmetries of various sorts, including the presence of transactions costs," can lead to and perpetuate various forms of discrimination, resulting in a misallocation of resources (Fine, 1999, p. 2). In response to these distortions, the World Bank proposes various micro-level efforts to improve information sharing and institutional transparency through networks and social alliances. Consideration of the benefits of state directed investment activity and allocation of capital thus disappears from the discussion.

This refocusing is not very surprising in that the World Bank developed its social capital theory largely as a political response first to developmental-statists, and then to the anti-globalization NGO community (Fine, 1999, pp. 12-4). Developmental-statist explanations for East Asia's growth forced the Bank to address market failures and the potentially positive contributions of state activism. But, by gradually shifting the analytic focus from macroeconomic to microeconomic behavior, the World Bank was able to avoid any direct engagement with the critical literature generated by developmental-statists while giving the appearance of incorporating its insights.

Social capital theory has also given the World Bank a new and potentially effective response to NGO criticisms of neoliberal policies. The theory offers the World Bank a framework for explaining the economic failure of countries that had followed neoliberal policies, while simultaneously justifying the wisdom of those same policies. Moreover, by highlighting the importance of discrimination, monopoly, and corruption as sources of failure, and praising NGOs as critical vehicles for the creation of vital social capital, the World Bank appears to have found a way to appropriate the language and thus blunt the critical perspective of many NGO participants in the anti-globalization movement.

The East Asia Debate as a Family Feud Among Catch-Up Theorists

In what follows we argue that the three major attempts to explain the East Asia experience (neoliberalism, left-wing neoliberalism, and developmental-statism) share a common perspective on development that draws heavily on the overarching logic of the catch-up theories discussed above.[4] As a result, they suffer from similar flaws, including technological determinism and an uncritical stance towards capitalist relations and imperialism. Their failings highlight the socially impoverished nature of contemporary mainstream development thinking, about East Asia and more generally.

Neoliberalism: Prior to the 1997-98 crisis, neoliberals basically viewed East Asia's rapid growth and industrialization as evidence of the correctness of free-market policies – especially openness to international trade and investment. In a representative statement, the World Bank explained in 1995 that "Thailand provides an excellent example of the dividends to be obtained through outward orientation, receptivity to foreign investment, and a market-friendly philosophy backed by conservative macroeconomic management and cautious external borrowing policies" (World Bank, 1995, quoted in Arize, et al., 2000, p. 2).

In the neoliberal view, the East Asian miracle countries verified the wisdom of resource allocation along the lines of international comparative advantage, as the rapid growth of manufactured exports allowed these countries to overcome domestic-market constraints on the growth of production, thereby attaining the benefits of increasing returns to scale. The resulting growth of labor productivity enabled real wages to rise without eroding competitiveness. These effects were enhanced by high rates of saving and investment, which were in turn supported by stable and noninflationary monetary and fiscal policies. Also crucial were the region's generally non-restrictive policies toward foreign capital, as large-scale inflows of manufacturing foreign direct investment (FDI) from more developed countries brought otherwise inaccessible technologies, financial resources, and marketing networks.

In short, the neoliberal pre-crisis interpretation of East Asia was basically a straightforward reassertion of the efficacy of free-market policies for achieving developmental catch-up. This interpretation drew heavily on catch-up theory's social capability terminology, with neoliberals arguing that conservative macroeconomic policies, reliance on trade along the lines of comparative advantage, and attractiveness to FDI and other foreign capital inflows, had created social environments congenial to the importation and productive assimilation of the technologies needed to compete and win in the world economy.

As a general conception of East Asia's development, neoliberalism was never very accurate, mainly because it downplayed the crucial role of state industrial policies, especially in South Korea and Taiwan (not to speak of Japan). However, in Thailand, Indonesia, and Malaysia – the ASEAN-3 – economic policies did somewhat more closely approximate the neoliberal ideal, at least with regard to the degree of openness to foreign investment. This was particularly true after the early 1990s, when the ASEAN-3 took further steps to liberalize their international financial transactions, having already greatly liberalized their FDI regimes in the 1980s. Even South Korea implemented significant financial liberalization measures beginning in the early 1990s (Burkett and Hart-Landsberg, 2000a, p. 174; Hart-Landsberg and Burkett, 2001, p. 411). Hence, as long as rapid growth continued (which was, as it turned out, only as long as short-term foreign capital continued to pour in), neoliberals felt reasonably secure in their interpretation of the East Asian experience, despite its obvious tension with the realities of state-activism in the region.

As it turned out, the period during which the East Asian countries (especially the ASEAN-3) were becoming "more neoliberal" was precisely the period leading up to the region's 1997-98 crisis. Given their prior characterization of the East Asian miracle countries as basically free-market regimes, one might naturally expect that the crisis would give neoliberals pause to rethink their allegiance to free-market policies. However, in general this was not the case.

Most neoliberals (along with the capitalist media) quickly embraced a new analysis that blamed the crisis on the infection of the miracle countries by "crony capitalism," i.e., by corrupt state interference in market processes. Special emphasis was placed on malfunctions stemming from government controls over both credit-allocation and sectoral investment priorities (or as it was commonly stated, misguided government attempts to "pick winners"). Significantly, these neoliberals made little if any attempt to explain the abrupt rise of crony capitalism in what had been just a short time before model capitalist economies.

This neoliberal attempt to blame the crisis on crony capitalism fit nicely with the World Bank's new theory of social capital that stressed the role of market imperfections and inadequate state capacities in causing economic failure. For example, the massive inflow of foreign investment funds which had initially been seen as a justifiable response to East Asian adherence to market fundamentals was now explained away as the result of imperfect information – of foreign investors having been misled by governments and business spokespeople in the miracle countries. Evidently neoliberal economists had suffered from the same sleeping sickness as the finance capitalists who poured billions of dollars into economies now said to be rotted by crony capitalism.[5]

Similarly, neoliberals began arguing that while state-activist policies might have promoted growth and industrialization at earlier stages of development, they were no longer up to the task of closing technological gaps in the increasingly high-tech and intensively competitive post-Cold War environment. Neoliberalism's new critique of East Asian institutions is often expressed in the language of catch-up theory. For example, reviewing Gerschenkron's argument for "a major role for the state in investment decisions," Crafts (1999) asserts that there are "several downsides to a Gerschenkronian development strategy:"

> First and foremost is that the role of the state degenerates into crony capitalism or plunder by myopic autocrats. Second, it may be that the institutional structure delivers a lot of investment but is less good at providing incentives for the efficient use of funds or innovation. . . . Third, at some later stage, it is likely that the allocative efficiency advantages of freer capital markets will become much more attractive but the transition to such institutional arrangements may be fraught with difficulties of preventing moral hazard and eventual financial crisis where bankers and regulators lack the relevant human capital and resources. . . . A fourth possibility is that the institutions that work so well at the outset eventually become dysfunctional but hard to change (p. 145).

Crafts is obviously attempting to deflect blame away from short-term financial speculation and toward myopic government autocrats. However, it is hard to take his call for more effective financial regulation seriously, when it was precisely the absence of regulations that enabled the miracle countries to attract the huge flows of hot money they so desperately sought. Naturally he provides no economic cost/benefit analysis of the huge resources required by western-type financial systems (and by their adequate regulation to prevent crises – something which, by the way, has not been achieved by any country in the history of capitalism) compared to alternative, more state-administered systems.

Opportunity costs disappear from view for the opportunistic neoliberal trumpeting of the "allocative efficiency advantages of freer capital markets" – i.e., the determination of economic priorities, the level of job insecurity, etc. by financial speculators. We are, moreover, given no reason to believe that cronyism is any less likely or less costly under a free-market system (e.g., in the bribery of financial regulators, in privatization deals, or in the pricing of goods and services formerly provided by government agencies but now contracted out to private enterprises – not to mention the graft and corruption endemic to private enterprise itself). Finally, Olson's (1982) theory of interest group associations, cronyistic rent-seeking, and economic growth is taken as a natural fact, when in reality every single one of its main hypotheses has been called into question both theoretically and empirically (Unger and van Waarden, 1999).

Left-Wing Neoliberalism: Not all neoliberals accepted the cronyism diagnosis of the East Asian crisis. Some viewed the crisis as the bursting of a classic speculative bubble compounded by contagion effects, i.e., by the spread of uncertainty and reduced confidence among financiers concerning the prospects of a succession of countries. In this view, the miracle economies were still fundamentally sound (as indicated by high savings rates and the absence of government deficit problems), even though their growth had been temporarily derailed by short-term financial instability.

Adherents of this view – including Jeffrey Sachs (1997) and Joseph Stiglitz (1997) – were quite vocal in their criticism of the contractionary monetary and fiscal policies (and across-the-board deregulation) initially implemented in the crisis-affected countries under pressure from the IMF and domestic advocates of neoliberal "reform." As they saw it, such policies would needlessly worsen the region's recessions and currency crises (it was not clear how cutting off credit to exporters could help maintain output or improve the balance of payments, for example), without addressing the crying need for sounder regulation of miracle country financial systems in general and short-term borrowing from foreign lenders in particular. As Stiglitz put it, "our emphasis should not be on deregulation, but on finding the right regulatory regime to re-establish stability and confidence" (1997, p. A19). This dissent from within the neoliberal camp provided a refreshing contrast to the normal neoliberal tendency to support the IMF's standard medicine through recessionary thick and thin.

It was Stiglitz who did the most to develop this dissenting position into a coherent alternative world-view, one that we term left-wing neoliberalism. Indeed, both before and after his December 1999 ouster from the position of Chief Economist at the World Bank, Stiglitz openly called for a "new post-Washington consensus" in development policy thinking to replace the "old Washington consensus" championed by the IMF, the U.S. Treasury Department, Wall Street, and hard-core neoliberal economists (Stiglitz, 1998a; Standing, 2000). His proposed new consensus emphasized the need for greater flexibility in the IMF's crisis-management policies, and for sound financial regulations.

Stiglitz strongly criticized the dogmatic application of simple monetarist-type models of inflation, the balance of payments, and output growth. This criticism partly involved technical issues such as allowance for time lags, asymmetries, and nonlinearities in the impacts of policy variables on other variables. But it was also based on the need to place greater weight on full employment and real economic stability (not just price and short-term financial stability) as policy goals, and to take into account the crucial roles of confidence, robust financial relationships, and social safety nets in ameliorating crises and hastening recoveries (Stiglitz, 1999, 2000a). Even more interestingly, Stiglitz called for greater sensitivity to specific national and regional conditions. He castigated the standard IMF practice of flying a team of outside "experts" into crisis-affected countries and having them formulate policy prescriptions based on the simple application of a priori models to time-series data – with both models and data containing little institutional content (Stiglitz, 2000b; Komisar, 2000).

Although Stiglitz has not actively promoted the World Bank's new social capital-based theory of development, his past and present work on market imperfections were certainly part of the intellectual environment that the World Bank drew upon in developing it. Moreover, while Stiglitz seeks to define his own post-Washington consensus, it appears that the general thrust of his work fits well within the broader social capital framework. As Fine notes: "The proposal for a post-Washington economic consensus from Stiglitz has social capital as its exact social and political counterpart. It builds up from the micro to the macro from notions of civil, as opposed to market, imperfections and with the potential for non-market improvements with impact upon the market" (1999, p. 10).

In fact, Stiglitz has discussed the challenges of development in ways that echo the World Bank's notion and use of social capital. For example, in a major address outlining the need for a new development paradigm, he stated that "Another form of capital, beyond physical capital, human capital, and knowledge, is also essential for a successful transformation: social and organizational capital, which includes the institutions and relations that mediate transactions and resolve disputes" (Stiglitz, 1998b, p. 29).

According to Stiglitz, there are societies whose organizational and social capital "may not be of a form that facilitates change." Unfortunately, while the old form must be replaced, the "process of development" may lead to their destruction "before new organizational and social capital is created, leaving the society bereft of the necessary institutional infrastructure with which to function well." Sadly, the appropriate "capital cannot be handed over to a country from outside. It must be developed from within, even if knowledge from outside about key ingredients can facilitate the creation of this social/organizational capital." This requirement may "be the most important constraint on the speed of transformation." (p. 29)

This analysis leads Stiglitz to recommend that policy makers concentrate their energies on "capacity-building" in key areas so as to develop the required organizational and social capital. These areas include: "The enabling environment for the private sector, which includes markets and the legal infrastructure that is necessary for markets to function well;" "The knowledge environment, which enables new knowledge to be absorbed, adapted to the circumstances of the country, and put to use;" and "The policy environment, which includes the capacity to make key decisions concerning development strategies." (p. 30)

Many leftists have become excited by Stiglitz's attacks on IMF policies, his criticisms of the IMF's governance by "finance ministers and central bank governors… not labor unions or labor ministers" (Komisar, 2000, p. 35), his support for workers' right to unionize, his expressions of moral sympathy for street-protests against the WTO, IMF, and World Bank, and his calls for "democratic development" (Stiglitz, 1998a, pp. 31-3; Komisar, 2000, pp. 35-8). But it is important to be aware of the strict limits of Stiglitz's dissent.

Although his "new consensus" is somewhat more state-activist than the old consensus, Stiglitz argues, in words that sound very similar to those of the World Bank, that "the government should see itself as a complement to markets, undertaking those actions that make markets fulfill their functions better – as well as correcting market failures" (1998a, p. 25). While partly blaming development barriers and malfunctions on market imperfections (including "implicit collusion" and "predatory pricing"), he is adamant that "free, competitive markets and private property" are both "essential to a market economy" (pp. 22, 18). And, while he calls for regulation of destabilizing short-term capital movements, he remains a strong advocate of FDI inflows as a conduit for the importation and assimilation of technologies by developing countries (Stiglitz, 1997).

Indeed, precisely insofar as he does not embrace the crony capitalism analysis of the East Asian crisis, Stiglitz still remains wedded to neoliberalism's pre-crisis interpretation of East Asia's development successes. He thus points to the "East Asian economies" as "a particularly powerful example" of the benefits of "allowing each country to take advantage of its comparative advantage" and of "promoting competition on the export side." In short, "trade increases wages and expands consumption opportunities" (1998a, p. 16).

Stiglitz's proposed new consensus also maintains the neoclassical dichotomy between positive (economic) and normative (political) concerns. In his view, it is "the economist's task... to describe alternative consequences of different policies," while the role of "the political process" is limited to "hav[ing] an important say in the choices of economic direction" served up by the economist (1998a, p. 5). This is the closest Stiglitz gets to specifying his notion of "democratic development, in which citizens participate in a variety of ways in making the decisions which affect their lives" (p. 31). Indeed, the very fact that Stiglitz poses his preferred theory and policy regime as a (singular) new "consensus," based on his own a priori reasoning and experience as head of an international capitalist agency, must by definition place very tight limits on the kind of developmental democracy it embodies (Standing, 2000, p. 748). Stiglitz's normative sympathy for workers and street-demonstrators certainly does not extend to granting them a direct role in the envisionment and implementation of development alternatives; such a role would violate the primacy of private property and market competition.

Developmental-Statism: A small group of economists, working on the fringes of the mainstream, have directly challenged neoliberalism by emphasizing the role of government industrial policies in the development of South Korea and Taiwan. The close connection between this developmental-statist approach and catch-up theory is clear from Alice Amsden's monumental analysis of South Korea (Amsden, 1989).[6] Indeed, Amsden describes her study as a further development of Gerschenkron's (1962) work on "late industrialization" – arguing that while Gerschenkron "explored the costs and benefits of backwardness,... he did not systematically examine catching up as a process of learning how to compete" (p. 3).

Amsden agrees that late industrialization proceeds "on the basis of borrowed technology," but she holds that an adequate analysis of technological catch-up must account for "the means by which [late industrializers] managed to compete" in international markets (p. 3). Such an analysis must pay closer attention than Gerschenkron did to the disadvantages and contradictions of relative backwardness in an intensely competitive international environment:

> As Gerschenkron (1962) has pointed out, backward countries are fortunate to have a backlog of technologies to draw upon. Yet Gerschenkron failed to give equal weight to the proposition that the more backward the country, the harsher the justice meted out by market forces. The inherent conflicts of the market apply to all users, rich and poor alike. But the conflicts are sharpest among the least well endowed. Countries with low productivity require low interest rates to stimulate investment, and high interest rates to induce people to save. They need undervalued exchange rates to boost exports, and overvalued exchange rates to minimize the cost of foreign debt repayment and of imports – not just of raw materials, which rich and poor countries alike require, but also of intermediates and capital goods, which poor countries alone are unable to produce. They must protect their new industries from foreign competition, but they require free trade to meet their import needs. They crave stability to grow, to keep their capital at home, and to direct their investment toward long-term ventures. Yet the prerequisite of stability is growth (p. 13).

"Under such disequilibrating conditions," Amsden argues, "the state's role in late industrialization is to mediate market forces" (p. 13). In other words, analysis of developmental catch-up must investigate precisely how states are able to reshape the market opportunities and constraints faced by enterprises in ways that enhance their technological capabilities – a process Amsden calls "industrialization through learning."

Amsden does not limit the state's role to that of micro-tinkering, but rather follows Gerschenkron's treatment of the aggregate "rate of investment [as] an institutionally determined variable" (Amsden, 1989, p. 99). Like Gerschenkron, she emphasizes "credit mobilization at the national level" though the nexus of state and banks as the means by which "the government controlled the pace of industrialization, rather than allowing market forces to do so" (p. 99).

She shows how, in the South Korean case, a high rate of investment was maintained largely through the channeling of large amounts of subsidized credit to industrial enterprises controlled by the chaebol (large, family-run conglomerates), although state enterprises played an important leading role in certain sectors (steel and petrochemicals, for example). Indeed, the high leveraging of investments was a central structural feature of the South Korean development model (cf. Wade and Veneroso, 1998).

Of course, technological catch-up and international competitiveness require more than high rates of investment. According to Amsden, "the allocation of subsidies has rendered the government not merely a banker, as Gerschenkron (1962) conceived it, but an entrepreneur, using the subsidy to decide what, when, and how much to produce" (1989, p. 144). This state-entrepreneurship involved a combination of import-substitution and export-promotion. Cheap credit and access to protected domestic markets were provided to favored chaebol enterprises in exchange for achievement of export targets. If an enterprise failed to meet export targets, the subsidies would be scaled back accordingly.

Using these methods, the South Korean government was able to promote the development of internationally competitive production in a succession of new industries – textiles, shipbuilding, steel, autos, and consumer electronics. These industries successfully assimilated technologies obtained through the importation of capital goods, and through subcontracting, original equipment manufacturing, and licensing agreements with foreign (mainly Japanese) corporations. Foreign direct investment also played an important, though subsidiary, role, mostly in the form of joint ventures. Such ventures were particularly important in electronics. More broadly, "Korea's heavy industrial program was spearheaded by the large Korean chaebols, all of which had close ties with the Japanese conglomerates (or large firms) through joint ventures upon whom they were largely reliant for technology transfers" (Castley, 1996, p. 37). In Amsden's view, the South Korean government's strong and sophisticated external negotiating stance, and its efforts to arrange the importation of management and engineering consultants (again mainly from Japan), were crucial factors in the country's acquisition of the foreign technologies, expertise, and capital needed for industrialization (1989, Chapter 4 and passim).

In the terminology of Abramovitz's (1986) catch-up framework, Amsden's contribution is to incorporate government entrepreneurship as a crucial (perhaps the crucial) element of the social capability needed to maximize and realize catch-up potential. In this respect, Amsden's analysis clearly overcomes the artificial dichotomy between catch-up potential and the realization of this potential that afflicts Abramovitz's schema. For Amsden, the creation of catch-up potential and its realization are simultaneous, mutually conditioned parts of a general process of "industrialization through learning." The reason is that the ability to flexibly and creatively respond to the opportunities and challenges posed by international markets is the essence of the learning process and of the state's entrepreneurial functions in this process. The state must, for example, achieve an efficient balance between protecting and nurturing new industries and enterprises on the one hand, and exposing them to enough (domestic and external) competitive pressures to enhance effort and efficiency on the other (Amsden, 1989, pp. 129-30, 151-2; Amsden and Singh, 1994).

Given the central role of state-activism in the developmental-statists' analysis, it is not surprising that their response to the 1997-98 crisis sharply differed from that of most neoliberals. Understandably focusing on the crisis in their flagship country, South Korea, they rejected the crony capitalism hypothesis and blamed the crisis on financial deregulation and the concomitant erosion of state-entrepreneurship. Financial deregulation led to overborrowing from foreign sources, and the weakening of the state's sectoral planning capabilities allowed uncontrolled build-up of excess productive capacity and declines in profitability in a number of key industrial sectors (automobiles, shipbuilding, steel, petrochemicals, and semiconductors) (Amsden and Euh, 1997; Chang, 1998; Wade and Veneroso, 1998).

This response was similar to that of left-wing neoliberalism insofar as it called for sounder financial regulation (especially closer monitoring of, and limitations on, short-term foreign borrowing); both developmental-statists and left-wing neoliberals pointed to Taiwan's relative immunity to the crisis under a regime of tighter external capital controls. But developmental-statists desired financial re-regulation not just to complement private markets and private competitiveness (as did left-wing neoliberals) but also as a means of restoring the state's own entrepreneurial capabilities. However, it is not clear whether such a restoration is possible given the post-crisis liberalization of the South Korean economy, including the further deregulation of domestic and external finance as well as the loosening of restrictions on FDI inflows and outflows (Hart-Landsberg and Burkett, 2001, pp. 414-6).

Because it opposes neoliberalism, developmental statism has found a receptive audience on the left. This is unfortunate not only because of its inadequate response to the 1997-98 crisis, but more fundamentally because it shares with neoliberalism the treatment of workers and communities as passive inputs for an industrialization process planned by (private or state) capitalists, not as a primary source of development visions. From the standpoint of catch-up theory in both its neoliberal and its developmental-statist variants, any efforts by workers to struggle for new kinds of economic development can only disrupt the efforts of private or state entrepreneurs to achieve national economic progress as measured by competitiveness in international markets.

Toward A Worker-Community Centered Approach

As we have seen, the three leading mainstream theories of East Asian development suffer from serious failings, including their technological determinist nature and uncritical stance towards capitalist relations of wage-labor and competition. These failures are due to the fact that these theories are incapable of grasping capitalist development as a class-contradictory process. This, in turn, results in their complete exclusion of workers and their communities (and their struggles) from any constitutive role in the development process. Of course, this is no accident. Advocates of all three theories reject the possibility of non-capitalist development alternatives. For them, there is no alternative (TINA) to capitalist development. We wish to challenge this TINA notion.

When one looks at the global political-economy, one is immediately struck by a paradox. Protests against economic globalization and its main institutions (transnational corporations, the World Bank, IMF, and WTO) have never been more persistent and widespread. Yet the notions that socialism is dead, that there are no alternatives to capitalism, and that all development visions and theories must therefore accept the primacy of the market and profit-driven production, are now accepted by the overwhelming majority of development theorists even on the left. Progressive analyses and policy proposals, i.e., those concerned with equality, democracy, community, and ecological sustainability, must, in this view, adapt themselves to a world in which capitalism is unopposed by any systemic alternatives. We feel this whole mindset is misguided and needlessly fatalistic, because it ignores the fact that capitalism's own dynamics generates both the need for and likelihood of worker community struggle and, through it, the envisionment and realization of alternative forms of development, or in other words, socialism.

Capitalism is based on the alienation and competitive exploitation of workers and their material and social conditions. Capital accumulation (the re-investment of profit made from the production and sale of commodities, in order to make an additional profit) presupposes that workers are first socially separated from necessary conditions of production, and then united with these conditions in workplaces controlled by competing (private or state) capitalists. In this way, workers and their conditions are converted into vehicles of money-making, and production becomes anarchically regulated by market competition.

The most competitive firms, nations, and regions are those that most successfully exploit workers and the conditions of production. Stated differently, to succeed in capitalist competition is to successfully subordinate human development to the imperatives of exploitation as mediated by the pressures of the market (which are really pressures exerted by other competing capitalists). Such competitive successes are not only by definition ungeneralizable, they also tend to be unsustainable insofar as other competing capitalists (and other nations and regions) are constantly striving to "catch up" in the race to intensify exploitation of their own workers and production conditions, and insofar as any improvements in worker-community conditions in human-developmental terms contradict the imperatives of profitability and competitiveness.[7]

Moreover, efforts by competing capitalists to more efficiently exploit their workers (by mechanizing and otherwise intensifying labor, for example) lead inexorably to overproduction problems that erode the profitability of production. These problems include the overproduction of investable capital compared to the exploitable labor force (wage-cost problems), the overproduction of commodities compared to markets that are ultimately limited by working-class purchasing power (realization problems) and the overproduction of constant capital (machinery and materials) compared to the surplus-value yielding potential of the wage-labor employed (composition of capital problems). The resulting declines in profitability set the stage for economic crises – although these crises are often triggered by interruptions of (national and international) credit flows.

The post-World War II East Asian "miracles," beginning with Japan, were based on the intensive exploitation of labor pursuant to the violent suppression of anti-capitalist struggles – struggles which had already begun to demonstrate the viability of worker-community controlled economic systems, especially in Japan and Korea (Burkett and Hart-Landsberg, forthcoming; Hart-Landsberg, 1993, Chapter 6). The repressive atmosphere was maintained throughout the Cold War period, and both the Cold War and the Vietnam War provided crucial boosts to capital accumulation in both Japan and South Korea. Intensive exploitation was evident in the exceedingly long work-times and high industrial accident rates characteristic of the region's "miraculous" economic growth. To maintain cost competitiveness and labor "flexibility," women workers were subjected to severe wage and employment discrimination even by normal capitalist standards – and this abnormal discrimination persists throughout the region to this day.[8]

The export successes of East Asian countries, and their periodic overproduction problems, should be seen as symptoms of their high rates of exploitation and the resulting imperative to export in order to overcome the restricted purchasing power of their working classes compared to the growth of productive capacity. As noted by Bell (2001), this structural export-orientation and latent overproduction in no way implies that rising wages did not cause additional problems. Once the export-led growth structures were in place – and this often involved a high dependence on transnational corporate production and marketing networks – any increase in wages relative to labor productivity posed a serious competitive threat, especially once China emerged as a competing force in trade and as a site for manufacturing FDI. All of this is essential background to the 1997-98 crisis – a crisis which all mainstream analysts treat mainly as a financial crisis rooted in faulty policy choices (cronyism or under-regulation) rather than in the fundamental class relations structuring East Asian capitalism. In the Marxist view sketched here, by contrast, the crisis is seen as an organic outgrowth of the region's prior successes (Burkett and Hart-Landsberg, 2000a, Parts Two and Three).

Our optimism about socialist possibilities arising from capitalist dynamics is based on more than the natural human tendency to struggle against exploitation in production, and to contest the conversion of material and social conditions into conditions of money-making. It is also based on more than the fact that capital accumulation is best realized through exploitation, hierarchy, and competition, whereas workers' struggles to improve their conditions (to enhance their human developmental opportunities) are best realized through cooperation, democracy, and solidarity. That capital (wage-labor) is a relation of conflict and struggle, and that workers often forge combinations to defend their interests, are hardly unknown even to mainstream social scientists. As shown here, a good part of mainstream development theory is dedicated to showing the disruptive, inefficient, pathological, or utopian character of such combinations.

What distinguishes the Marxist view of capitalism is its recognition that capitalism's own forms of development – the forms required by capital accumulation itself – intensify the class struggle over the conditions of human development (Burkett, 1999, Chapters 11-13). In order to accumulate in monetary value terms, capital must exploit workers, but to do so it must develop an evermore complex and universal division of labor, an evermore complex technology, an evermore intensive metabolism of social labor with natural conditions. As a result, the tension between the development and sustainability of production as a human-social process on the one hand, and production as a means of competitive money-making on the other, becomes evermore glaring and antagonistic.

It is the intensification of this contradiction between production for profit and human-social development that makes a cooperative-democratic, worker-community controlled economy evermore imperative as a condition of human development and even of human survival. Capitalism's creation of an increasingly complex and universal system of production creates a common ground and motivation for all workers and their communities to envision and struggle for healthier and more sustainable forms of production appropriate to their individual and collective self-development. From this imperative we draw the conclusions that alternatives to capitalism are both necessary and possible, and that such alternatives can only be envisioned and forged through worker-community struggles in and against capitalism on national, regional, and global levels. It is this socialist imperative that (more-or-less consciously) underlies and powers the contemporary "anti-globalization" movement in all its forms.

It follows from this perspective that the job of progressive intellectuals is not to push for reforms that try to make capitalism more efficient, equitable, or democratic, but rather to develop theoretical and policy visions through critical engagements with worker and community struggles considered as objectively anti-capitalist struggles. And all struggles that contest the reduction of human beings and their conditions to vehicles of competitive money-making are objectively anti-capitalist.

Out of the highly exploitative and competitive socio-economic soils of the East Asian miracles have sprouted not only a severe regional economic crisis, but also a groundswell of popular struggles. These popular movements are contesting the attempts by domestic and external capital to place the main burden of crisis-and-recovery costs on the backs of workers through across-the-board wage-cuts, "flexibilization" of employment, privatizations, and cuts in social expenditures (Burkett and Hart-Landsberg, 2001).

The success of these struggles ultimately depends on the extent to which they challenge not only neoliberal policies, but also the very institutions (or stocks of "social capital") previously hailed by development analysts as keys to the region's economic success. In other words, they must contest capitalism itself, not just particular forms of capitalism (Burkett and Hart-Landsberg, 2000a, Chapter 14). This does not mean we are neutral on the issue of neoliberal reforms, since these reforms are basically means of reconstituting capitalism on a more transnationalized basis and as such should be opposed on straightforward anti-capitalist grounds.

We find some encouraging signs that the struggles of East Asian workers and communities are moving toward the kind of structural orientation sketched above. Across the region, super-exploited women workers have been at the forefront of both unionization battles and struggles to improve the conditions of so-called irregular (part-time or otherwise contingent) workers. There is also a growing tendency for political democratization demands to be combined with anti-neoliberal and other economic demands, most clearly in Indonesia but also in Thailand and South Korea. Understandably, however, working-class struggles in the wake of the crisis have been largely defensive in nature (Burkett and Hart-Landsberg, 2001). By studying and engaging with these struggles, left intellectuals and activists can contribute to the creation of economic systems that put human development and its conditions first.

Notes

1. On the causes and significance of the 1997-98 crisis, see Hart-Landsberg and Burkett (1998), and Burkett and Hart-Landsberg (2000a). For the contradictions of the subsequent "recovery," see Burkett and Hart-Landsberg (2001).
2. See also Crafts (1999, pp. 140-3) and Weeks (2001, pp. 18-27) for strong evidence against the simple convergence hypothesis.
3. See Fine (2001) for a more detailed overview and conceptual critique of social capital constructs.
4. For more detailed surveys of mainstream views on East Asian development and crisis, see Burkett and Hart-Landsberg (1998, 2000a, 2000b) and Hart-Landsberg and Burkett (1998, 2001).
5. As should be clear, our own view is that the sudden reversal of neoliberal opinion on East Asia was driven mainly by opportunism. But this does not rule out the possibility that some neoliberals may have been genuinely convinced of the basically free-market character of miracle country regimes, due to their failure to do the difficult work necessary to bridge the gap between their a priori models and the actual institutional structures of these countries. See Baer, et al. (1999) for some interesting conjectures along these lines.
6. The seminal development-statist study of Taiwan is Wade (1990). See Hart-Landsberg (1993, Chapter 1) and Burkett and Hart-Landsberg (2000a, pp. 153-6) for comparative discussion of Taiwan and South Korea.
7. An important part of this competitive struggle is the competition for "a limited number of foreign enterprises," under which "countries may compete to attract investment" even though "this subsidy competition transfers much of the rents to the multinationals" (Haaland and Wooton, 1999, p. 631).
8. See, for example, Monk-Turner and Turner (1994, 2000), Behrman and Zhang (1995), Seguino (1997, 2000), Zveglich, et al. (1997), Gyorgy (1998), and Truong (1999).

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